

Audit



Report

OFFICE OF THE INSPECTOR GENERAL

**MANAGEMENT CONTROLS IN THE
DEFENSE CIVILIAN PAY SYSTEM**

Report No. 97-056

December 27, 1996

Department of Defense

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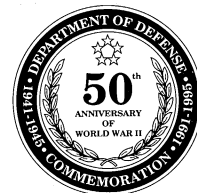
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Acronyms

DBMS	Defense Business Management System
DCPS	Defense Civilian Pay System
DFAS	Defense Finance and Accounting Service
DoDEA	Department of Defense Education Activity
IG	Inspector General
USD(C)	Under Secretary of Defense (Comptroller)
WHS	Washington Headquarters Services



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December 27, 1996

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING
SERVICE

SUBJECT: Audit Report on Management Controls in the Defense Civilian Pay System
(Report No. 97-056)

We are providing this report for your information and use. We performed the review in response to a request by the Defense Finance and Accounting Service. The audit was conducted in support of our financial statement audits required by the Chief Financial Officers Act of 1990 and the Federal Financial Management Act of 1994. This report is the second in a series of reports to be issued on migratory financial management systems.

We considered comments on a draft of this report in preparing the final report. Management comments conformed to the requirements of DoD Directive 7650.3 and left no unresolved issues. Therefore, no additional comments are required.

We appreciate the courtesies extended to the audit staff. Questions on the audit should be directed to Mr. Christian Hendricks, Audit Program Director, at (703) 604-9140 (DSN 664-9140), or Mr. Dennis L. Conway, Audit Project Manager, at (703) 604-9158 (DSN 664-9158). See Appendix J for the report distribution. The audit team members are listed inside the back cover.

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Report No. 97-056
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Management Controls in the Defense Civilian Pay System

Executive Summary

Introduction. This report is the result of our ongoing audit of the Defense Civilian Pay System. The audit was conducted to support our audits required by the Chief Financial Officers Act of 1990 and the Federal Financial Management Act of 1994. The Defense Civilian Pay System is a DoD-designated migratory accounting system that will standardize and integrate 27 civilian pay systems. The Defense Civilian Pay System is estimated to cost \$42.7 million and to save DoD more than \$700 million in operating costs during a 10-year period, compared to existing systems. As of March 30, 1996, the Defense Civilian Pay System made an estimated \$22.7 billion in civilian payments annually. The Defense Civilian Pay System is scheduled for full implementation in FY 1998.

Audit Objectives. The overall objective was to evaluate how effectively management controls were incorporated into DoD migratory accounting systems. Specifically, we:

- o determined whether management controls were adequately considered for Phase III, "Production, Fielding or Deployment, and Operational Support," of life-cycle management for automated systems;

- o evaluated whether the systems provided comparable and consistent financial management data, as directed by Office of Management and Budget Circular A-127, "Financial Management Systems," and related requirements; and

- o evaluated implementation of the DoD management control program for the Defense Civilian Pay System.

Audit Results. Management controls over the Defense Civilian Pay System during its deployment phase, Phase III of life-cycle management, provided for the successful conversion of more than 497,000 employees and 278 pay offices to the Defense Civilian Pay System as of April 13, 1996. Also, 18 civilian pay systems had been eliminated as of April 28, 1996. During major consolidations of automated systems, problems with customers' requirements are common.

Additional management controls recommended in this report could further improve the Defense Civilian Pay System, since the DFAS strategy for implementing the system did not fully ensure that all customers' requirements were requested and considered before the system was operating. Because of the DFAS strategy, the Defense Civilian Pay System did not fully satisfy all customers' requirements, and DFAS was continuing to spend additional funds for design work through system change requests after the system was fielded. The DFAS management control program needed improvement because a material weakness existed in management controls over ensuring that customers' requirements were adequately considered before the implementation of the Defense Civilian Pay System (see Appendix A).

Recommendations in this report, if implemented, will help ensure that all customers' requirements are considered for implementation into the Defense Civilian Pay System. See Part I for a discussion of the audit results. The results presented in this report will be incorporated into an overall report on the Defense Civilian Pay System, to be issued at the completion of the audit project.

Summary of Recommendations. We recommend that the Under Secretary of Defense (Comptroller) require the Director, DFAS, to prepare an operational requirements document to establish baselines for cost, schedule, and performance goals, and conduct an in-process or milestone review to evaluate the current status of the program. Additionally, we recommend that an integrated product team be established to identify and participate in making system changes.

Management Comments. The Office of the Under Secretary of Defense (Comptroller) concurred with the recommendations to require the Director, DFAS, to prepare an operational requirements document, conduct a milestone review, and establish an integrated product team. Management comments were responsive, and no further comments are required. See Part I for a summary of management comments and Part III for the complete text of the comments.

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Part I - Audit Results

Audit Background

This audit of the Defense Civilian Pay System (DCPS) evaluated DoD migratory financial management systems. The audit supports our financial statement audits required by the Chief Financial Officers Act of 1990 and the Federal Financial Management Reform Act of 1994.

On October 17, 1991, the Under Secretary of Defense (Comptroller) determined that DoD would migrate from multiple civilian pay systems to the Navy Standard Civilian Pay System, which was renamed DCPS. Implementation began in May 1992; however, the Assistant Secretary of Defense (Command, Control, Communications and Intelligence) did not formally approve the DCPS as a migratory system until February 27, 1995.

According to the FY 1992 economic analysis, DoD paid approximately \$125 million in annual operating costs for 1.1 million civilian employees, or \$9.74 per month for each employee, on 27 separate civilian pay systems. DCPS is intended to replace all 27 civilian pay systems and support the DoD goal of standardizing and interfacing automated systems for personnel, accounting, and pay. Also, DCPS is estimated to cost \$53.5 million per year to operate, saving more than \$700 million during a 10-year period. Further, DFAS estimates that eliminating the 27 civilian pay systems and the central design activities that support the systems will reduce average monthly civilian pay costs to approximately \$8 per employee in FY 1996.¹

As of April 13, 1996, DCPS served approximately 497,000 civilians and 278 pay offices. Implementation was originally scheduled for completion in FY 1996, but has been postponed until FY 1998. The system was budgeted at \$42.7 million for implementation costs.

Audit Objectives

The primary objective was to evaluate how effectively management controls were incorporated into DoD migratory accounting systems. Specifically, we were to:

- o determine whether management controls were adequately considered for Phase III, "Production, Fielding or Deployment, and Operational Support" of the life-cycle management process for automated systems;

¹The average monthly civilian pay cost of \$8 per employee includes the costs of processing pay transactions and overhead costs, such as the costs of computer services incurred by DFAS.

- o evaluate whether the systems could provide comparable and consistent financial management data, as required by the Office of Management and Budget Circular A-127, "Financial Management Systems," and related requirements; and

- o evaluate implementation of the DoD management control program as it relates to DCPS.

See the finding for a discussion of the material management control weakness we identified; see Appendix A for a discussion of the audit scope and methodology, management control program, and a summary of prior audit coverage related to the objectives. Appendix B discusses updating the economic analysis for DCPS.

Identification of Customer Requirements

DFAS did a commendable job consolidating 18 pay systems into 1 pay system. However, the strategy for consolidating civilian pay processing in DCPS did not ensure that all customer requirements were requested and considered before the system was implemented. The DFAS strategy could have better ensured that customers' requirements were considered if a team of customer representatives had been organized to make recommendations for changing DCPS, and if baselines had been prepared and documented to measure program performance and to prioritize customer needs. Because customers were not involved in the design of DCPS, the system was not developed to fully satisfy their needs, and DFAS was continuing to spend additional funds to pay for design work through system change requests after the system was fielded.

Requirements for Financial Management Systems

Acquiring Automated Information Systems. DoD Directive 5000.1, "Defense Acquisition," March 15, 1996, states that an acquisition program will provide a new, improved, or continuing capability in an automated information system in response to a valid need. DoD has recognized the need to acquire automated information systems that satisfy customer requirements. In particular, DoD Directive 5000.1 states that the primary objective of the DoD acquisition program is to acquire quality products that satisfy the customer's requirements with measurable improvements in mission accomplishment, in a timely manner, at a fair and reasonable price.

Life-Cycle Management. Life-cycle management is a process, applied throughout the life of an automated information system, that requires basing system management decisions on the expected mission-related and economic benefits. Life-cycle management of automated information systems is established in DoD Directive 5000.1 and DoD Regulation 5000.2-R, "Mandatory Procedures for Major Defense Acquisition Programs and Major Automated Information Systems," March 15, 1996.

This Directive and Regulation replace:

- o DoD Directive 8120.1, "Life-Cycle Management of Automated Information Systems," January 14, 1993;

- o DoD Instruction 8120.2, "Automated Information Systems Life-Cycle Management Review and Milestone Approval Procedures," November 12, 1993; and

- o DoD Instruction 7920.2, "Automated Information Systems Life-Cycle Management Review and Milestone Approval Procedures," March 7, 1990.

DoD Directive 8120.1, DoD Instruction 8120.2, and DoD Instruction 7920.2 were in effect during our fieldwork, and were replaced by DoD Directive 5000.1 and DoD Regulation 5000.2-R on March 15, 1996. The standards in DoD Directive 5000.1 and DoD Regulation 5000.2-R are similar to those in the prior guidance. This report reflects the new standards.

Life-Cycle Management Phases. DoD Regulation 5000.2-R identifies four phases of life-cycle management: Phase 0, "Concept Exploration;" Phase I, "Program Definition and Risk Reduction;" Phase II, "Engineering and Manufacturing Development;" and Phase III, "Production, Fielding or Deployment, and Operational Support." The four milestone decision points are: Milestone 0, "Approval to Conduct Concept Studies;" Milestone I, "Approval to Begin a New Acquisition Program;" Milestone II, "Approval to Enter Engineering and Manufacturing Development;" and Milestone III, "Production or Fielding or Deployment Approval." Milestone decision points separate the phases; at these points, management evaluates the activities that have been performed in the preceding phase, the status of the program's execution, and plans for the remainder of the program.

Strategy for Consolidating Civilian Pay Processing in DCPS

The strategy for consolidating civilian pay processing in DCPS did not ensure that all customer requirements were requested and considered before the system was implemented. Also, system implementation was delayed at some activities while DFAS obtained and finalized customers' unique pay requirements.

Consolidation of Civilian Pay Processing. A task group on civilian pay standardization performed a study in 1991 to determine the benefits of standardizing and consolidating civilian pay systems. The task group included representatives from Headquarters, DFAS, Arlington, Virginia; the DFAS Columbus Center, Columbus, Ohio; the DFAS Denver Center, Denver, Colorado; the DFAS Indianapolis Center, Indianapolis, Indiana; and the DFAS Washington Center, Arlington, Virginia. The task group also included representatives from the Defense Logistics Agency, the Corporate Information Management Civilian Payroll Group, and the Naval Center for Cost Analysis.

The task group reviewed the technical characteristics of four systems to determine the potential of each as a DoD standard civilian pay system. The Army, the Navy, the Air Force, and the Defense Logistics Agency each operated one of the four systems. DFAS stated that each of the four systems had been developed to meet some requirements of the General Accounting Office, the Department of the Treasury, the Office of Personnel Management, and the Federal Reserve System. DFAS also stated that each system satisfied the requirements of the customer served.

Review of Functional Requirements. The Corporate Information Management Civilian Payroll Group reviewed each DoD Component's functional requirements to identify differences between their pay systems. Subsequently,

Identification of Customer Requirements

in 1991, the task group reviewed and analyzed each of these differences, and determined the functional requirements of a standard DoD civilian pay system so that costs could be estimated. These requirements are shown in Appendix C. The functional requirements for a standard DoD civilian pay system were defined as the core requirements of each DoD Component's system, together with the unique requirements of the other DoD Components.

DFAS managers stated that their implementation strategy for obtaining customers' specific requirements would consist of implementation planning reviews conducted at least 10 months before converting a pay location to DCPS. The conversion included:

- o tracking and reporting milestones in the DCPS Installation and Implementation Plan;
- o identifying and resolving issues and requirements;
- o programming unique requirements and providing automated connections with DCPS;
- o providing training and performing reconciliations between pay and personnel actions; and
- o converting pay locations to DCPS.

DFAS stated that as a result of its phased implementation of this strategy, costs and savings would break even in early 1996, with savings to follow thereafter.

Ability of DCPS to Meet Users' Requirements. We contacted Army, Air Force, and DoD organizations' representatives to determine whether DFAS had obtained those organizations' civilian pay requirements. Consideration of those requirements would ensure that DCPS represented the needs of the DoD civilian work force.

Use of DCPS in the Army. The Director of Financial Management Systems, Office of the Deputy Assistant Secretary of the Army for Financial Operations, told us that DCPS Army customers had problems in October 1992 when they attempted to use their financial management systems and computer equipment with DCPS. The problems occurred shortly after converting the initial DCPS site at the Fitzsimons Army Medical Center, Colorado. Specifically, the Army did not have the computers and modems needed to send time and attendance data to DCPS, and DFAS stated that the Army wanted an on-line time and attendance system based on personal computers. As a result, conversion of other Army activities was postponed 18 months, until March 1994, so that the connectivity problems could be solved. The Army had not calculated the costs of implementing DCPS. Therefore, no quantitative data are available to show that the DCPS implementation process is cost-effective.

Processing Air Force Civilian Pay Data in DCPS. Beginning in FY 1993, Air Force personnel had problems processing civilian pay data in DCPS. For example, personnel in the Office of the Director (Comptroller

Support), Assistant Secretary of the Air Force (Financial Management), stated that some organizations at Charleston Air Force Base, South Carolina, and Barksdale Air Force Base, Louisiana, did not have access to local area networks. Organizations needed this access to send time and attendance data to DCPS. The activities manually recorded data on time and attendance forms and hand-carried those forms to a central location, where a clerk entered the data into the local area network.

Air Force personnel were not opposed to consolidating civilian pay processing in DCPS; however, they did not agree with the DFAS implementation strategy and calculation of expected savings. They also felt that the Air Force did not have adequate input into how DFAS identified and solved DCPS problems.

DFAS Implementation Strategy for the Air Force. As of April 1996, the DFAS implementation strategy did not ensure that Air Force personnel requirements were fully considered. Air Force personnel estimated that 50 percent of their civilian pay accounts had been converted to DCPS. However, a March 8, 1996, memorandum from the Chief, Financial Services, 10th Air Base Wing, stated that the DFAS implementation strategy for DCPS had not fully satisfied the Air Force's requirements:

This payroll system was designed for the Navy but the Air Force has different requirements. Either the Air Force must change the way they do business to accommodate the payroll system or DCPS must be upgraded to accommodate the needs of the Air Force. Manually completing the accounting part of DCPS is senseless and creates additional accounting problems in trying to keep some form of integrity in civilian pay accounting.

The Air Force believed that the DCPS implementation strategy emphasized the processing of pay and had not adequately addressed the Air Force's payroll accounting needs. The use of DCPS had caused the Air Force to expend additional resources to manually change and record accounting data.

Savings Expected From Implementing DCPS. Because DFAS did not include the costs of Air Force pay services in its estimate of savings from implementing DCPS, Air Force representatives did not believe the DFAS estimates were accurate. For example, Air Force representatives stated that their costs include providing customer services and producing biweekly pay histories on microfiche for the remaining locations to be implemented. However, the Air Force had not calculated the costs of implementing DCPS.

Air Force Representation. Air Force personnel were concerned about their lack of representation in the DCPS program office's process for identifying and resolving problems. Specifically, Air Force representatives did not know what changes other customers had proposed, and did not know the priority assigned to the Air Force's system change requests. Air Force representatives considered these concerns significant because system changes that had been requested and implemented for other DoD Components could affect the Air Force's pay services and accounting. Also, Air Force representatives wanted information about system changes requested by other DoD Components that they (the Air Force) had not discovered. The Air Force

Identification of Customer Requirements

representatives were voting members on the board that controlled changes to the Defense Joint Military Pay System, and they wanted the same involvement and decisionmaking authority with DCPS.

Requirements of DoD Organizations. DFAS had problems implementing requirements at some DoD organizations. At other DoD organizations, delays and customer concerns were problems before the conversion of pay to DCPS.

Customer Service at the DoD Education Activity. Customer service at the DoD Education Activity (DoDEA), formerly known as DoD Dependents Schools, was a significant problem when DCPS was being implemented. DoDEA personnel gave the following examples of customer service problems:

- o The DCPS program office had not contacted Headquarters, DoDEA, when schools in Cuba and Bermuda were converted to the Pensacola, Florida, civilian pay office as part of the DCPS implementation. The DCPS program office relied on the Norfolk, Virginia, civilian pay office, which was scheduled to close, to notify personnel at Headquarters, DoDEA, about the conversion.

- o During FY 1994, DoDEA had problems with teachers' pay; some teachers were overpaid, and other pay problems occurred when teachers were evacuated from Cuba.

- o When DoDEA personnel served by the Norfolk civilian pay office were converted to the Pensacola civilian pay office, the Norfolk civilian pay office had not fully automated their pay, although the Norfolk office was already using DCPS. The nonautomated DCPS payment procedures were not transferred, and errors occurred in the teachers' pay when civilian pay responsibilities were transferred from the Norfolk civilian pay office to the Pensacola civilian pay office. After complaints from DoDEA personnel, DCPS personnel held a meeting in April 1995 to discuss the system changes required to fully automate the pay for DoDEA teachers.

On January 31, 1996, the Director, DFAS, issued a memorandum stating that further delays would occur in implementing DCPS for overseas employees of the DoDEA. The memorandum stated that those employees' pay accounts would not be transferred to DCPS until FY 1997 because of delays in receiving and finalizing their pay requirements. Also, DoDEA personnel had not calculated the costs of implementing DCPS.

Implementation of DCPS at Washington Headquarters Services. A meeting to address customer requirements between DFAS and Washington Headquarters Services (WHS) personnel would have identified problems with interfacing between DCPS and the WHS accounting system. WHS provides accounting assistance to 20 DoD organizations. WHS personnel stated that DCPS provided a great deal of information; however, much of this information was not useful and overwhelmed the WHS accounting system. DCPS personnel said they knew that problems could occur when connecting DCPS with the DoD organizations' accounting systems. DoD organizations'

personnel had not been formally contacted about their requirements, although DCPS was implemented DoD-wide in 1992. We brought this to the attention of the program manager, who contacted DoD organizations' personnel in May 1995. However, WHS personnel stated that DFAS could not develop an adequate accounting interface. As a result, WHS developed its own accounting interface. Life-cycle cost estimates must take into account these additional costs to DoD.

Conversion of Pay Services at DoD Organizations. DFAS was experiencing delays in receiving and finalizing some unique pay requirements before converting some DoD organizations' pay services to DCPS. Also, some organizations were also concerned that conversion would occur before their current automated systems could interface adequately with DCPS.

In a memorandum issued on January 31, 1996, the Director, DFAS, stated that further delays would occur in implementing DCPS for the Uniformed Services University of the Health Sciences, the United States Soldiers' and Airmen's Home, and the Inspector General (IG), DoD. At these organizations, pay accounts would not be transferred to DCPS until FY 1997 because DFAS was delayed in receiving and finalizing their unique pay requirements.

The Defense Commissary Agency, the Defense Contract Audit Agency, and the Defense Logistics Agency used the Defense Business Management System (DBMS) for pay services. These agencies expressed concerns about converting their pay service from DBMS to DCPS. They agreed to use DCPS only if it interfaced with their other automated systems. The IG, DoD, Report No. 96-058, "Standardization of Defense Civilian Pay Systems," January 9, 1996, recommended that the USD(C) conduct a cost-benefit analysis of converting pay services to DCPS for all DoD civilian employees (including about 120,000 employees whose organizations used DBMS) and implement the most cost-effective strategy.

The DBMS customers concurred with the recommendations in the IG, DoD, audit report, and stated that they had agreed to convert to DCPS only after the necessary interfaces were developed and a cost-benefit analysis had been conducted (see Appendixes D, E, and F). On May 9, 1996, the USD(C) issued memorandums stating that DBMS customers would be converted to DCPS in FY 1997, and that he was confident that DFAS would solve all interface problems (see Appendixes G and H); however, he did not agree to conduct a separate cost-benefit analysis. If DFAS organizes an integrated product team that includes current and prospective DCPS customers, they will be able to discuss and resolve concerns about the costs and benefits of implementing DCPS.

Integrated Product Team. As a result of the DFAS implementation strategy for DCPS, customer requirements have not been fully met, and delays have occurred in implementing the system. Some delays might have been avoided if customers' needs had been more fully defined before the DCPS program office began implementing the system. To avoid further delays in converting employees (including about 120,000 employees now served by DBMS), DFAS should establish an integrated product team to recommend changes to DCPS.

Identification of Customer Requirements

This integrated product team should prioritize customer requirements in an operational requirements document (referred to as the baseline document before DoD Regulation 5000.2-R was implemented). By using an integrated product team in conjunction with the operational requirements document, DFAS managers could evaluate DCPS progress toward meeting customers' performance goals.

Consideration of Customer Requirements

The DFAS strategy could have better ensured that the Services' and DoD organizations' requirements were considered if:

- o a team of all customer representatives had been organized to recommend changes to DCPS, and

- o during milestone reviews, baselines had been analyzed to measure progress in meeting those requirements.

Customer Involvement in DCPS Before Implementation. DFAS began implementing DCPS in FY 1992 without obtaining detailed requirements from customers. DFAS personnel told us that these requirements were not obtained because:

- o they obtained requirements instead from the Corporate Information Management Civilian Payroll Group,

- o obtaining detailed customer requirements would have delayed the implementation of DCPS,

- o DoD instructions on life-cycle management did not apply because DCPS went through the life-cycle process when it was managed by the Navy, and

- o the USD(C) had approved the system for implementation in 1992.

DoD Directive 5000.1 and DoD Regulation 5000.2-R require that customers work together as integrated product teams to build successful automated information systems. These teams should identify and resolve issues, prioritize needs, and make sound and timely recommendations to facilitate decisionmaking. They should also work to gain customer acceptance of a system and to assist with communications between DFAS and its customers.

If DFAS had identified and notified all customers of its implementation strategy to satisfy their needs at the time DCPS was selected as a migratory system and had used integrated product teams to address issues during the development of DCPS, implementation would have been smoother. Customers would have had adequate time to prepare for conversion and to work with the DCPS program office to determine which requirements met their needs.

Customer Involvement in Milestone Review. DFAS began implementing DCPS in FY 1992 without preparing an operational requirements document or conducting an in-process or milestone review. DoD Directive 5000.1 states that milestone reviews should separate the phases of developing an automated information system to provide better management control. At each milestone review, the system should be assessed to determine its fitness to proceed to the next phase. Customers should prepare the operational requirements document to establish and prioritize their requirements. The Directive also states that management should establish a risk management program to identify and control the risks related to costs, schedules, and performance throughout each acquisition phase. That information is essential for the decisionmaking process.

DCPS is in Phase III, "Production, Fielding or Deployment, and Operational Support," which follows Milestone III. The purpose of Phase III is to achieve an operational capability that satisfies the customer's needs. During this phase, management must be able to measure and report on the program's progress and to document that they have obtained, satisfied, and prioritized customers' requirements. However, as of June 14, 1996, DFAS had not gathered detailed requirements from customers at some DoD organizations that received pay services from DBMS. Cost, schedule, and performance criteria should be established to track progress in satisfying customers' requirements.

Funds to Pay for Design Work

Customers in the Services and DoD organizations were not involved in the design of DCPS. Therefore, DCPS did not meet the essential needs of all customers, and DoD was spending additional funds to pay for redesign work during DCPS implementation. DCPS customers stated that DFAS:

- o did not fully understand their operations and needed to improve customer service,
- o assumed that DoD organizations' personnel and accounting systems would be compatible with DCPS, and
- o assumed that the Services and DoD organizations had the equipment needed to connect with DCPS.

DFAS had anticipated problems with the compatibility of personnel and accounting systems and the equipment needed for connecting with DCPS. To solve these problems, DFAS planned to identify detailed customer requirements during an implementation planning review to be conducted about 10 months before a location was to be converted. Customer requirements had to be addressed through system change requests, which required DoD to spend additional funds to pay for design work. This is not cost-effective. At the Defense Systems Management College, we reviewed documented historical studies showing that for every dollar spent to identify requirements before a system is developed, taxpayers will pay \$10 to \$100 to solve the same problem

Identification of Customer Requirements

studies showing that for every dollar spent to identify requirements before a system is developed, taxpayers will pay \$10 to \$100 to solve the same problem after the system is implemented. DFAS had not made cost, schedule, and performance data available to accurately document the increased cost of this strategy. We could not compare the cost of DCPS to the anticipated benefits because DFAS, the Services, and DoD organizations had not calculated the costs of implementing DCPS. Also, the DCPS program office had not updated its calculation of the current and future costs of implementing DCPS. Further, an integrated product team had not been formed to provide program oversight and to correct this weakness.

Corrective Actions to Identify Customers' Requirements

During the audit, DFAS took corrective actions to further identify customers' requirements. For example, we found that customers' requirements had not been identified for the DoD organizations served by the civilian pay office at Bolling Air Force Base. On May 18, 1995, representatives from the DCPS program office met with personnel from those DoD organizations and WHS to discuss DCPS implementation and operations.

DFAS personnel also stated that most of the problems we identified concerning the DoD Education Activity's employees had been resolved, and that the program office had contacted all remaining DoD organizations except for those that use DBMS for pay services.

Conclusion

DFAS estimates that when DCPS is fully implemented, it will pay approximately 800,000 civilian employees. The DFAS strategy did not ensure that all customers' detailed requirements were requested and considered before DCPS was implemented. The customers we surveyed stated that the DCPS program office did not understand their operations, did not provide good customer service, assumed that customers' personnel and accounting systems would be compatible with DCPS, and assumed that all DoD organizations had the equipment needed to connect with DCPS. However, the DCPS program manager stated that he did not assume there would be no problems with personnel and accounting systems. Rather, we discovered that the DCPS acquisition strategy accepted this risk. The customers believed that the concept of a single civilian pay system was valid, but were dissatisfied with its implementation. However, unless DFAS and its customers establish effective oversight bodies to foster communication and decisionmaking, there will be no means of verifying that the DCPS acquisition strategy remains cost-effective.

DFAS had taken actions to correct some problems with DCPS; however, using integrated product teams and preparing an operational requirements document

completing Phase III that satisfy both DoD Regulation 5000.2-R and customers' needs. The Director, DFAS, must ensure that in the future, customer requirements for automated information systems are adequately considered during all life-cycle management phases.

Recommendations and Management Comments

1. We recommend that the Under Secretary of Defense (Comptroller) require that the Director, Defense Finance and Accounting Service:

a. Prepare an operational requirements document that includes customer requirements for the Defense Civilian Pay System and gives a baseline for comparing that system's progress with cost, schedule, and performance requirements.

b. Conduct in-process or milestone review(s) to evaluate the current status of the Defense Civilian Pay System against the baselines for cost, schedule, and performance requirements; and evaluate the system's status before exiting Phase III.

2. Create integrated product teams of customer representatives to identify changes and participate in making those changes to the Defense Civilian Pay System.

Management Comments. The Office of the Under Secretary of Defense (Comptroller) concurred with the recommendations to require the Director, DFAS, to prepare an operational requirements document, conduct a milestone review, and establish an integrated product team.

Part II - Additional Information

Appendix A. Scope and Methodology

Scope and Methodology

DCPS Implementation Strategy. We reviewed the strategy for requesting and considering essential customers' requirements and implementing DCPS throughout DoD. Specifically, we:

- o reviewed the DFAS "Report on the Consolidation and Standardization of Civilian Payroll Within DoD," January 1992, which explained the strategy for standardizing civilian pay systems and consolidating civilian pay processing;
- o interviewed or contacted current and proposed customers of DCPS to determine whether their essential requirements were requested and considered before DCPS was implemented;
- o reviewed the DFAS schedule for converting DoD organizations to DCPS;
- o reviewed the economic analysis to determine the expected costs and benefits of implementing DCPS; and
- o requested the costs of implementing DCPS from each Service and DoD organization we visited or contacted.

Use of Computer-Processed Data. We did not use computer-processed data to support our finding and recommendations.

Audit Period, Standards, and Locations. We conducted this financial-related audit from January through May 1996, and we reviewed DCPS data for the period January 1992 through May 1996.

We conducted the audit in accordance with auditing standards issued by the Comptroller General of the United States, as implemented by the IG, DoD; accordingly, we included such tests of management controls as were considered necessary. Appendix I lists the organizations we visited or contacted.

Management Control Program

DoD Directive 5010.38, "Internal Management Control Program," April 14, 1987, requires DoD organizations to implement a comprehensive system of management controls that provides reasonable assurance that programs are operating as intended and to evaluate the adequacy of the controls.

Appendix A. Scope and Methodology

Scope of Review of Management Control Program. Specifically, we reviewed DCPS management controls over obtaining and considering customers' essential requirements, scheduling DoD organizations for conversion, and managing the costs of implementing DCPS. We also reviewed management's self-evaluation of those controls.

Adequacy of Management Controls. We identified a material management control weakness as defined by DoD Directive 5010.38. The weakness was that DFAS did not request or consider all customers' requirements before implementing DCPS. The recommendations in this report, if implemented, will correct the material management control weakness. The monetary benefits of our recommendations are not quantifiable because benefits will depend on future actions of the USD(C) and the Director, DFAS. We will provide a copy of the final report to the senior officials responsible for management controls in those offices.

Adequacy of the DFAS Self-Evaluation. DFAS officials identified civilian pay as an assessable unit and correctly identified the risk associated with civilian pay as high. However, they did not identify the specific material management control weakness discussed above because the DFAS strategy did not require the DCPS program office to prepare and document detailed functional requirements for DCPS, prioritizing customers' needs. Also, the strategy did not provide for requesting and considering recommendations from representatives of all Services and DoD organizations (DoD Directive 5000.1 and DoD Regulation 5000.2-R require organizing representatives into integrated product teams). Preparing and documenting operational requirements would have allowed DFAS to request and consider all customer requirements before DCPS was implemented. Establishing an organized plan for requesting and considering the customer representatives' recommendations could have promoted greater customer involvement in identifying and resolving issues and making sound and timely recommendations to facilitate decisionmaking.

Summary of Prior Audits and Other Reviews

The IG, DoD, has issued one report on an issue related to this audit. Report No. 95-058, "Standardization of Defense Civilian Pay Systems," January 9, 1996, stated that all DoD civilian employees were not included in plans for conversion to DCPS. The pay function for approximately 120,000 DoD civilian employees was scheduled to remain in DBMS. As a result, DoD would not realize the benefits expected from the migration to a single civilian pay system.

The Under Secretary of Defense (Comptroller) partially concurred with the finding and recommendations. He disagreed with the recommendation to perform a cost-benefit analysis on the feasibility of migrating employees from DBMS to the DCPS; however, he agreed to convert the employees to DCPS. This decision was based on assurance from DFAS that the conversion would significantly decrease pay operating costs, would not require subsequent or

duplicate conversion efforts, and would not result in a degradation of service to the employees paid by the DBMS (see Appendixes G and H for the full text of comments from the USD[C]).

Appendix B. Economic Analysis for Defense Civilian Pay System

Although significant changes had occurred, the DCPS program office had not updated the FY 1992 economic analysis as part of the life-cycle management process. An economic analysis helps managers choose how to employ scarce resources and investigates how an objective can be achieved most efficiently and effectively.

Economic Analysis and Decisionmaking. DoD Instruction 7041.3, "Economic Analysis and Decisionmaking," November 7, 1995, states that the concepts of economic analysis are an integral part of the planning, programming, and budgeting system of DoD. The planning, programming, and budgeting system allows DoD managers to continuously assess the affordability of acquisition programs and make decisions on how to allocate resources. Program changes that affect a program's cost-effectiveness must be included in this continuous review.

Changes Affecting DCPS Ability to Accomplish its Objectives. Since FY 1992, the DoD civilian work force and DCPS experienced significant changes that affected the ability of DCPS to accomplish its objectives and achieve its goal of saving DoD \$700 million in civilian pay processing costs. Changes requiring evaluation were:

- o decreases in the number of DoD civilian employees,
- o increases in the number of civilian pay offices to four,
- o use of two civilian pay systems instead of one, and
- o the possibility of contracting with private companies to process civilian pay.

Because the FY 1992 economic analysis was not updated, decisionmakers did not have sufficient documentation to determine whether DCPS would save DoD \$700 million.

The "National Defense Authorization Act for Fiscal Year 1996," February 10, 1996, required the Secretary of Defense to study the use of the private-sector to perform the payroll function in DoD. At the time of this report, the study was not complete.

By updating the economic analysis and completing the plan for using private-sector sources of pay services, DoD will have greater assurance that it is obtaining the most cost-effective civilian pay system for the tax dollars invested.

Appendix C. Operational Requirements of a Standard DoD Civilian Pay System

The information in this appendix is adapted from the DFAS "Report on the Consolidation and Standardization of Civilian Payroll Within DoD," January 1992.

Expiration of Temporary Appointment. The payroll system will not pay an employee beyond the "Not to Exceed" date, dollar amount, and/or hours.

Expiration of Temporary Promotion. If a personnel action is not received to terminate or extend a temporary promotion by the "Not to Exceed" date, the payroll system will continue to pay the employee; however, the rate of pay will be the salary provided by the civilian personnel office for the permanent position.

Allowance and Differential. The payroll system will pay:

- o Overseas allowances and differentials
 - Temporary lodging allowance
 - Separate maintenance allowance
 - Post differential
 - Post allowance
 - Supplemental post allowance
 - Living quarters allowance
 - Tropical allowance
 - Education allowance
 - Danger pay
- o Nonforeign cost-of-living allowance
- o California offshore island allowance
- o Uniform allowance
- o Guam recruitment incentive
- o Guantanamo benefit allowance
- o Physicians' comparability allowance
- o DoDEA teachers
 - Dormitory supervisor
 - Additional hours
 - Extracurricular pay
 - Remote site
- o Depot profit-sharing
- o Administratively uncontrollable overtime
- o Environmental differential pay
- o Hazardous duty pay

Appendix C. Operational Requirements of a Standard DoD Civilian Pay System

Unique Types or Groups of Employees. The payroll system will have the capability to pay and account for leave for the following:

- o U.S. civilians employed overseas
- o Department of Defense Dependents Schools teachers
- o Section 6, teachers
- o Corps of Engineers power plant operators
- o Piecework employees
- o Army and Air National Guard technicians
- o Local nationals in Panama, Cuba, and Canada
- o Panama Canal Zone entitlements
- o Chaplains
- o Port pilots
- o Naval faculty
- o Firefighters
- o Law enforcement officials
- o Executive Office of the President
- o Political appointees
- o Title 10 Judges
- o Uniformed Services University of the Health Sciences
- o U.S. Soldiers' and Airmen's Home
- o Pacer share
- o Air traffic controllers
- o Physicians
- o Experts or consultants
- o Mariners
- o Puerto Ricans
- o Pay banding
 - China Lake demonstration project
 - Pacer share
 - Gateway 2000
 - Pay for knowledge
- o Lithographers
- o Apprentices
- o Emergency medical technicians
- o Advisory committee members

Non-DoD Indebtedness. The payroll system will provide an automated interface directly between the Defense Manpower Data Center and the four civilian payroll offices.

Overseas Allotments. The payroll system will provide for overseas allotments to be deducted and disbursed on a biweekly basis.

Military Service Deposits. The payroll system will allow military service deposits by cash payments or payroll deductions.

Increment of Annual and Sick Leave Usage. The payroll system will allow the recording and reporting annual and sick leave usage and balances in hundredths of an hour.

Appendix C. Operational Requirements of a Standard DoD Civilian Pay System

Compensatory Time. The payroll system will accumulate compensatory time for up to 26 pay periods and, if the compensatory time is not used, will convert it to overtime at the rate it was earned.

Credit Hours. The payroll system will carry over 24 credit hours from 1 pay period to the next. The system will drop any hours in excess of 24.

Donated Leave. The payroll system will provide for the recording and reporting of donated leave.

Advances of Sick Leave. The payroll system will provide for the use of advance sick leave on a continuous or intermittent basis.

Types of Administrative Leave. The payroll system will provide for the recording and reporting of 25 types of administrative leave.

Restored Leave. The payroll system will maintain three restored leave accounts, each automatically expiring at the end of the second future leave year.

Standard Pay Period. The payroll system will provide for a standard 2-week pay period. The first full pay period in 1991 began on January 13, 1991, and ended on January 26, 1991.

Standard Payday. The payroll system will allow employees to receive payments on the 6th calendar day after the end of the pay period.

Lump-sum Leave Payments. The payroll system will include lump-sum leave payments in the employee's regular pay cycle, and will tax such payments at 20 percent.

Payment of Cash Awards. The payroll system will provide for the payment of cash awards as a separate check, with a separate leave and earnings statement, or will include cash awards in the employee's regular pay cycle.

Four-Day Rule for Deceased Employees. The payroll system will apply the four-day rule for deduction of Federal employees' health benefits for deceased employees.

Life Insurance Rates for Part-Time Employees. Life insurance premiums for part-time employees will be based on the employees' scheduled tours of duty, as provided by the civilian personnel office.

Reporting Salary Offset Collections to the Defense Manpower Data Center. The payroll system will provide for an automated interface with the Defense Manpower Data Center, with biweekly (not monthly) reporting.

Adjustment of Pay. The payroll system will provide for an automated calculation of retroactive adjustments of pay, deductions, and leave. If the adjustment creates a debt to the employee, the payroll system will provide for automated preparation of the due process notice. This notice is required for all debts, independent of the dollar amount or the number of pay periods in which the debt occurred.

Appendix D. Defense Commissary Agency Comments Concerning DBMS



DEFENSE COMMISSARY AGENCY
HEADQUARTERS
1300 E AVENUE
FORT LEE, VIRGINIA 22001-1800

REPLY TO
ATTENTION OF

MAY 06 1996

DPP

MEMORANDUM FOR INSPECTOR GENERAL, DEPARTMENT OF DEFENSE, ATTN:
ERIC LEWIS, 400 ARMY NAVY DRIVE, ARLINGTON, VA
22202-2884

SUBJECT: Audit Report on Standardization of Defense Civilian Pay
Systems (Report No. 96-058)

We have reviewed the proposed comments on Report No. 96-058
as requested and provide the following comments:

We believe that the migration to a single payroll system (DCPS) will be quite beneficial for DeCA if a properly functioning automated interface between DCPS and the DBMS personnel subsystem is fielded concurrent with the move to DCPS. Without such an interface, we will be unable to pay our people in a timely and accurate manner. We have had extremely unpleasant experiences in the past with inefficient payroll/personnel interfaces, both manual and automated. Now that we have an integrated payroll and personnel system under DBMS, we are concerned that a hasty move, prior to the development of an efficient automated interface, would very seriously degrade our current capabilities. We firmly believe that an assessment of the costs and risks associated with development, or non-development, of the appropriate automated interface is critical prior to committing to conversion to DCPS.

RONALD P. MCCOY
Colonel, USAF
Chief of Staff

Appendix E. Defense Contract Audit Agency Comments Concerning DBMS



OFFICE OF THE DIRECTOR

DEFENSE CONTRACT AUDIT AGENCY
8725 JOHN J. KINGMAN ROAD, SUITE 2135
FORT BELVOIR, VA 22060-6219

OFFICIAL RECORD COPY

04 MAR 1996

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)

SUBJECT: DoD Inspector General (DoDIG) Audit Report on Standardization of Civilian Pay Systems

The subject DoDIG audit report recommends that a cost-benefit analysis be initiated to determine the feasibility of migrating all DoD civilian employees to the Defense Civilian Pay System (DCPS). The report also states that this analysis should be used as the basis for implementing the most cost-effective DoD-wide civilian pay strategy. We concur in this initiative.

We want to bring to your attention Paragraph 3, Page 2 of the undated Cover Brief signed by the Director for Accounting Policy. The Defense Contract Audit Agency (DCAA) does not support the DFAS concept of migrating payroll accounts from DBMS to DCPS before building and testing the new, DoD-wide personnel system and the interfaces between the personnel, payroll and finance systems. It has always been our goal to migrate both the personnel and payroll systems simultaneously to the final DoD-wide systems. We understood that DLA, acting for the DBMS agencies, and you had previously agreed to this strategy. We believe that the analysis done by DLA and presented to PA&E as part of their study of DoD personnel systems appropriately supports the need for and the cost advantages of simultaneous migration.

Thank you for the opportunity to comment on this important matter.

A handwritten signature in cursive script, appearing to read "Michael J. Thibault".

Michael J. Thibault
Deputy Director

Appendix F. Defense Logistics Agency Comments Concerning DBMS



ro FOX

DEFENSE LOGISTICS AGENCY
HEADQUARTERS
8725 JOHN J. KINGMAN ROAD, SUITE 2533
FT. BELVOIR, VIRGINIA 22060-6221



MAR 01 1996

MEMORANDUM FOR DEPUTY CHIEF FINANCIAL OFFICER, OFFICE OF THE
UNDER SECRETARY OF DEFENSE (COMPTROLLER)

SUBJECT: Audit Report on Standardization of Civilian Pay Systems (Report 96-058)

This is in response to your request for our coordination on the subject report. I agree with the report's recommendations and am coordinating on your proposed memorandum to the Department of Defense Inspector General provided the reference to my endorsement of the Defense Finance and Accounting Service (DFAS) proposal for conversion is deleted.

I strongly oppose the DFAS proposal to convert our payroll functions from the Defense Business Management System (DBMS) to the Defense Civilian Payroll System (DCPS) at this time. Our position has never changed. Until all of the independent systems that will perform the current integrated DBMS functions are fully interfaced, we do not support the conversion of any DBMS functions to new systems. This Agency reached an agreement with Office of the Under Secretary of Defense (Program Analysis and Evaluation) in August 1994 that we would convert our DBMS functions once the modernized Defense Civilian Personnel Data System was fully operational and deployed (now targeted for 1998/1999), and all interfaced functions satisfy user requirements. It remains my intention to proceed on that basis.

I appreciate the opportunity to comment on your proposal and to, once again, state my position on the DBMS to DCPS conversion.

RAY E. MCCOY
Major General, USA
Principal Deputy Director

cc:
OUSD(PA&E)
DoDIG
DeCA
DCAA

Appendix G. Under Secretary of Defense (Comptroller) Comments on IG, DoD, Report No. 96-058



UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100



MAY 9 1996

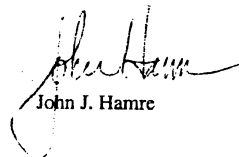
MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FOR AUDITING, DODIG

SUBJECT: Audit Report on Standardization of Civilian Pay Systems (Report No. 96-058)

Your memorandum dated January 9, 1996, forwarded a copy of the subject audit report for review and comment. The report recommends that a cost-benefit analysis be performed on the feasibility of migrating, to the Defense Civilian Pay System (DCPS), those DoD civilian employees currently paid from the Defense Business Management System (DBMS); and that the results of such an analysis be used as a basis for implementing the most cost-effective DoD-wide civilian pay strategy.

This office partially concurs with the recommended action. Following the issuance of the subject report, the Defense Finance and Accounting Service (DFAS) reviewed plans for converting payroll records from the DBMS to the DCPS. These plans include the necessary interfaces between the DCPS, the accounting system of the DBMS, and a time and labor collection module to support current DBMS customer needs. The DFAS assures me that conversion will significantly drive down payroll operating costs, will not require subsequent or duplicate conversion efforts, and will not result in a degradation of service to the DoD Components using the DBMS for civilian payroll. As a result, I have asked the DFAS to continue its planned efforts toward the conversion (from the DBMS to the DCPS); and to work with the DoD Components that are currently using the DBMS for civilian payroll, with the assurance that the planned conversion will occur when technically feasible and cost effective.

Questions on this matter may be directed to BG Roger Searce. He may be reached on (703) 607-1589.


John J. Hamre

Appendix H. Notification of Conversion to the Defense Civilian Pay System



UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100



MAY 9 1996

MEMORANDUM FOR DIRECTOR, DEFENSE COMMISSARY AGENCY
DIRECTOR, DEFENSE CONTRACT AUDIT AGENCY
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
DIRECTOR, DEFENSE LOGISTICS AGENCY

SUBJECT: Standardization of Defense Civilian Pay Systems

In a report, dated January 9, 1996, the Office of the Inspector General, Department of Defense, (OIG) recommended that a cost-benefit analysis be performed on the feasibility of migrating, to the Defense Civilian Pay System (DCPS), those DoD civilian employees currently paid from the Defense Business Management System (DBMS); and that the results of such an analysis be used as a basis for implementing the most cost-effective DoD-wide civilian pay strategy.

In developing a response with my staff to the subject report, the Defense Finance and Accounting Service (DFAS) reviewed its current plans to convert payroll records from DBMS to DCPS. DFAS assures me that payroll operating costs will be reduced significantly after conversion; such conversion would not require subsequent or duplicate conversion efforts; and there would not be any degradation of service to those DoD Components using DBMS. Additionally, the Director, DFAS, has advised me that DFAS has selected an existing time and labor collection system which will be modified to satisfy current DBMS customer requirements. That system will provide time and attendance data to DCPS for payroll processing and DCPS, in turn, will provide labor cost information to DBMS. DBMS also will be modified to accept the DCPS standard accounting interface in order to record labor expenditures. The target date for achieving these initiatives is early FY 1997.


Based on the actions underway by DFAS, and the Department's objective of standard business systems, I advised the OIG that I did not believe that another cost-benefit analysis relative to the conversion of DBMS payroll functions to DCPS was required. Further, I believe that it is in the Department's best interest for DFAS to convert payroll records from DBMS to DCPS as quickly as feasible.

Accordingly, I have authorized DFAS to proceed to convert to DCPS the current payroll function of DBMS. This conversion should occur within timeframes developed by DFAS in concert with current DBMS customers. I recognize the conversion of payroll systems entails the conversion of personnel processing from DBMS to the Defense Civilian Personnel Data System (DCPDS) as well, and I have requested the Director, DFAS, to keep each applicable DoD Component informed of the progress in achieving the conversion. Furthermore, I have asked the

Appendix H. Notification of Conversion to the Defense Civilian Pay System

Director, DFAS, to work with the Civilian Personnel Management Service and with each DoD Component impacted to minimize any disruption resulting from such conversions. I also have requested the Director, DFAS, to identify a point of contact for addressing any questions that may arise related to the conversion.

If you have any questions on this matter, please contact BG Roger Scearce. He may be reached on (703) 607-1589.



John J. Hamre

cc: OUSD(P&R)

Appendix I. Organizations Visited or Contacted

Office of the Secretary of Defense

Under Secretary of Defense (Comptroller), Washington, DC
Assistant Secretary of Defense (Command, Control, Communications and Intelligence),
Washington, DC

Department of the Army

Assistant Secretary of the Army (Financial Management and Comptroller),
Washington, DC
Deputy Assistant Secretary of the Army for Financial Operations, Director of
Financial Management Systems, Washington, DC

Department of the Navy

Assistant Secretary of the Navy (Financial Management and Comptroller),
Washington, DC

Department of the Air Force

Assistant Secretary of the Air Force (Financial Management and Comptroller),
Washington, DC
Director (Comptroller Support), Washington, DC

Other Defense Organizations

Defense Finance and Accounting Service, Arlington, VA
Defense Civilian Pay System Program Office, Arlington, VA
Defense Information Systems Agency, Arlington, VA
Department of Defense Education Activity, Arlington, VA
Department of Defense Dependents Schools, Arlington, VA
Washington Headquarters Services, Washington, DC

Non-Defense Federal Organizations

Office of Management and Budget, Washington, DC
Joint Financial Management Improvement Program, Washington, DC

Appendix J. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense (Comptroller)

Deputy Chief Financial Officer

Assistant Secretary of Defense (Command, Control, Communications and Intelligence)

Assistant Secretary of Defense (Force Management Policy)

Assistant to the Secretary of Defense (Public Affairs)

Director, Defense Logistics Studies Information Exchange

Department of the Army

Assistant Secretary of the Army (Financial Management and Comptroller)

Auditor General, Department of the Army

Department of the Navy

Assistant Secretary of the Navy (Financial Management and Comptroller)

Auditor General, Department of the Navy

Department of the Air Force

Assistant Secretary of the Air Force (Financial Management and Comptroller)

Auditor General, Department of the Air Force

Other Defense Organizations

Director, Defense Finance and Accounting Service

Director, Defense Information Systems Agency

Washington Headquarters Services

Non-Defense Federal Organizations

Office of Management and Budget
Technical Information Center, National Security and International Affairs Division,
General Accounting Office

Chairman and ranking minority member of each of the following congressional
committees and subcommittees:

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on National Security, Committee on Appropriations
House Committee on Government Reform and Oversight
House Subcommittee on National Security, International Affairs, and Criminal
Justice, Committee on Government Reform and Oversight
House Committee on National Security

Part III - Management Comments

Under Secretary of Defense (Comptroller) Comments



COMPTROLLER

OFFICE OF THE UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100



DEC 5 1996

MEMORANDUM FOR ACTING DIRECTOR, FINANCE AND ACCOUNTING
DIRECTORATE, ODODIG

SUBJECT: Audit Report on Management Controls in the Defense Civilian Pay System (Project
No. 5FG-2004.01)

Your memorandum of August 7, 1996, forwarded the subject draft audit report to this
office for comment. Our comments to the recommendations contained in the report are attached.

If you have any questions on this matter, please contact Mr. Tom Summers. He may be
reached on (703) 697-0586 or e-mail: summerst@ousdc.osd.mil.

Alvin Tucker
Deputy Chief Financial Officer

Attachment

**OFFICE OF THE DEPUTY CHIEF FINANCIAL OFFICER
COMMENTS ON RECOMMENDATIONS
CONTAINED IN THE DRAFT DODIG REPORT ENTITLED,
"MANAGEMENT CONTROLS IN THE DEFENSE CIVILIAN PAY SYSTEM"
(PROJECT NO. 5FG-2004.01)**

RECOMMENDATION 1. We recommend that the Under Secretary of Defense (Comptroller) require that the Director, Defense Finance and Accounting Service:

a. Prepare an operational requirements document that includes customer requirements for the Defense Civilian Pay System and gives a baseline for comparing that system's progress with cost, schedule and performance requirements.

b. Conduct in-process or milestone review(s) to evaluate the current status for the Defense Civilian Pay System against the baselines for cost, schedule, and performance requirements; and evaluate the system's status before exiting Phase III.

USD(C) RESPONSE. Concur. A memorandum directing the Director, Defense Finance and Accounting Service, to prepare the operational requirements document and conduct the milestone review is attached.

RECOMMENDATION 2. Create integrated product teams of customer representatives to identify changes and to participate in the process of making those changes to the Defense Civilian Pay System.

USD(C) RESPONSE. Concur. A memorandum directing the Director, Defense Finance and Accounting Service, to create the integrated product teams is attached.

Attachment

Under Secretary of Defense (Comptroller)



COMPTROLLER

OFFICE OF THE UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100



DEC 5 1999

MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE

SUBJECT: Audit Report on Management Controls in the Defense Civilian Pay System (Project No. 5FG-2004.01)

On August 7, 1996, the DoDIG forwarded the subject draft audit report to this office for comment. The objective of the DoDIG's review was to determine how effectively management controls were incorporated into the DoD migratory payroll system, the Defense Civilian Pay System (DCPS), and whether the system provided comparable and consistent financial data. The audit report included several recommendations that, if implemented would improve the customer interface and provide a better baseline for comparing the DCPS' progress with cost, schedule and performance requirements. As you will note in the attachment, no exception was taken to the recommendations contained in the subject audit report. As a result, the recommendations should be integrated into the Defense Finance and Accounting Service's efforts to complete the conversion to the DCPS.

If you have any questions on this matter, please contact Mr. Tom Summers. He may be reached on (703) 697-0586 or e-mail: summerst@ousdc.osd.mil.


Alvin Tucker

Deputy Chief Financial Officer

Attachment

Audit Team Members

This report was prepared by the Finance and Accounting Directorate, Office of the Assistant Inspector General for Auditing, DoD.

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Traci Y. Sadler